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TG Program Works to Improve Default Rates

Texas Guaranteed Student Loan Corporation (TG) is working closely with Texas higher education institutions to assure that financial aid funds continue to reach students who traditionally depend upon financial aid to turn their education dreams into reality. Through its Achieving Systemic Default Aversion (ASDA) program, TG is working with Historically Black Colleges and Universities (HBCUs) to implement a three-part plan designed to control Cohort Default Rates.

By July 1, all seven HBCUs had submitted their Default Management Plan to the Secretary of Education. All seven plans have been approved.

In April 1999, TG's senior management team obtained approval from the U.S. Department of Education (ED) to provide technical assistance and support to selected HBCUs in the state of Texas. TG began working with these schools in May 1999. The schools include Southwestern Christian College (Terrel), Texas College (Tyler), Paul Quinn College (Dallas), Texas Southern University (Houston), Wiley College (Marshall), Huston-Tillotson College (Austin), and Jarvis Christian College (Hawkins). Jarvis Christian College, which successfully appealed its FY 1996 cohort default rate, lowering it to less than 25 percent, also agreed to participate in the ASDA.

TG is currently in the process of selecting additional colleges and universities with high cohort default rates for participation in the ASDA program. TG expects to begin implementing the program with this second group of schools by January 2000.

Purpose of ASDA

ASDA is designed to provide assistance in developing and implementing default management plans. The program consists of three phases:

- Needs assessment,
- Developing school-specific plans and providing technical assistance and training, and
- Use of an independent third party consultant.

The program is based upon *Default Prevention: A Model for Institutions of Higher Learning*, which is a blueprint for improving default prevention efforts. The plan was recently developed by TG and the Council for the Management of Educational Finance — an instrumental player since the start of the ASDA program. The model outlines the information contained in each default management plan developed during the program.

Needs Assessment

To begin the ASDA program, TG hired two financial aid professionals to serve as Default Aversion Consultants to lead and carry out the program. To assess the status of participating institutions, the consultants created a Default Aversion Team, composed of TG team members with the necessary expertise to conduct the assessments.

School-Specific Plans and Technical Assistance and Training

To meet the objective of the second phase, TG's Default Aversion Team visited each affected institution and met with school representatives. Team members worked diligently with each HBCU to assist

See HBCUs on page 4.



NEWLY REPORTED CLOSURES

TG SCHOOL ID#	SCHOOL NAME	SCHOOL ADDRESS	UNOFFICIAL CLOSURE DATE	ED'S OFFICIAL CLOSURE DATE
008727000	Chicago City-Wide College	226 W Jackson Blvd. Chicago, IL 60606	N/A	12/31/1993
023526000	Temple Academy of Cosmetology	5 South First St. Temple, TX 76501-7603	N/A	05/28/1999

National Default Prevention Pilot Campaign Launched in Austin

On Wednesday, September 8, 1999, the University of Texas at Austin hosted the U.S. Departments of Education and Treasury as they launched a national pilot campaign to collect student loans. The campaign will raise awareness about government student loan debts and encourage borrowers to repay those debts. Known as 1800iwillpay, the campaign will last approximately six to nine weeks and includes radio and television public service announcements and advertising in local newspapers.

Pilots Based on Demographics

In addition to Austin, the federal government selected Baltimore, Maryland, to serve as a second test market for the pilot campaign. Both markets were chosen due to demographics such as the number of people living in the area with student loans and the high number of college-educated adults.

"Since 1966, the Federal government has loaned over \$300 billion to help Americans finance higher education dreams through government student loans. We want to ensure that future students are afforded the same opportunities, and this new campaign will help us achieve that goal," said David A. Lebryk, Deputy Assistant Secretary for Fiscal Operations and Policy, Department of Treasury.

"Most students pay back their loans on time, but some, upon graduating, discover that their debt has graduated. They are over extended. Historically, over the life of the program, about 14 percent of students, for many different reasons, default on their loans," said Greg Woods, Chief Operating Officer, Office of Student Financial Assistance of the Department of Education.

Current national statistics indicate that 14 percent, or \$24 billion, of student loans are in default. Approximately 26,000 active student loan accounts totaling \$128 million were identified as being in default in the Austin area. Because of high migration to Austin, these accounts represent borrowers who attended institutions of higher education in Texas as well as outside the state and were guaranteed by approximately 20 different student loan guarantors across the nation, including TG.

Borrowers seeking information about the Departments of Education and Treasury Loan payment campaign can call 1-800- i-will-pay or visit their web site at www.1800iwillpay.com.

Borrowers who are in danger of default may call TG's Default Prevention Team at (800) 338-4752 or send an e-mail message to prevent.default@tgscl.org.

TG's Repayment Center

To correspond with the campaign's launch, TG has developed a special online "Repayment Center" designed to meet the needs of borrowers who have defaulted on their Federal Family Education Loan Program loans. The center, located on *TGWorks Online* at www.tgscl.org, provides details in response to three questions defaulted borrowers often ask:

- Who is TG, and why do you have my loan?
- What can I do to fix this?
- Why should I repay my loan?

Included on the site is information about the benefits of repaying a student loan, options for defaulted borrowers, the negative consequences of failing to repay a student loan (such as administrative wage garnishment and Treasury offset), and information about how student loan

repayment is reflected in one's credit history. To begin the process that will get them back into repayment, visitors to the site are encouraged to call TG at (800) 845-6267 or to send an e-mail message to collections@tgscl.org.

Questions

For questions about TG's Repayment Center or how TG works with defaulted borrowers to encourage them to return to repayment, contact TG Collections at (800) 222-6297 or send an e-mail message to collections@tgscl.org. ★

Forms Correction

Shortly after the new Federal Family Education Loan Program (FFELP) deferment forms were published, some typographical errors were discovered on the new Economic Hardship Deferment (HRD) Optional Worksheet. Worksheet B, Step 3, Item 2, "Total Amount Borrowed" was corrected to read "Total Amount Borrowed from Step 2" in two places. Worksheet B, Step 4, Item 2, stated "multiply the amount on line 1 by .02 percent." The sentence has been corrected to state "multiply the amount on line 1 by .20 percent."

Industry customers may obtain a copy of the corrected version of the HRD Optional Worksheet on Texas Guaranteed Student Loan Corporation's web site, *TGWorks Online* at www.tgscl.org under "Resources for Schools and Lenders/Forms." ★

TG Partnership Wins Grant for Online Financial Aid Administrator Training

Texas Guaranteed Student Loan Corporation (TG) will partner with the National Association of Student Financial Aid Administrators (NASFAA) and the University of North Carolina at Wilmington (UNCW) to develop an online training program for financial aid professionals. It will offer new learning opportunities for student financial aid administrators and high school counselors nationwide.

The Financial Aid Online Training Institute, an extensive World Wide Web-based training program, is one of the 29 inaugural recipients (out of 653 initial proposals) of the U.S. Department of Education's new Learning Anytime Anywhere Partnerships (LAAP) grant program.

The LAAP grant program, part of the Higher Education Amendments of 1998, is designed to foster new approaches to distance learning by providing models of "learning anytime anywhere" or learning-on-demand programs. That means the learner decides when and where he or she begins learning and can gain access to interactive materials immediately.

The Partnership

The Financial Aid Online Training Institute partners will start work this fall to build a comprehensive curriculum of online coursework to train student financial aid administrators in the requirements of the profession. In keeping with the requirements of the LAAP grant program, the Institute will build its courses and delivery method so that student financial aid administrators can gain access to important training the moment they require it.

All LAAP projects involve partnerships that make use of shared resources and activities to accomplish results that would be impossible were any of the participating partners to act on their own.

Under the Financial Aid Online Training Institute partnership arrangement, NASFAA will take the lead in managing the Institute and designing courses. TG will provide the technological infrastructure to deliver courses over the Web. The UNCW Center for Teaching Excellence

will provide expertise in the best ways to teach using distance education methods.

Student Aid Administrators Ripe for Distance Learning

In developing the proposal for LAAP funding, the Institute partners argued that the student financial aid profession is a perfect audience for distance learning methods, especially "learning anytime anywhere" methods.

Student financial aid administrators manage the educational funding needs of some 9.75 million American students each year, 50 percent of all students enrolled in education beyond high school. Yet formal training in the student financial aid profession remains limited or, sometimes, inaccessible. Most financial aid administrator training today is administered informally, either through on-the-job experience, apprenticeship under more senior professionals, or through live training offered by the U.S. Department of Education or organizations such as NASFAA.

Many schools cannot afford to send their financial aid staff to training events far away from home. Live training can likewise be untimely. On-site events are usually offered only once or twice each year, which may result in a long wait for a beginning student aid administrator to learn the basics of the field, or for a senior professional to acquire new skills.

Related professionals, such as school counselors, often do not have access to financial aid training at all. And yet they are often the student's first contact when planning ways to pay for his or her higher education.

Advances in distance learning technologies, and start-up funding through the LAAP program, provide a solution through the Financial Aid Online Training Institute.

Course Offering and Credit Opportunities

Continuing Education Units (CEU) will be available to learners who complete programs offered through the Financial Aid Online Training Institute. Some professionals, such as school

counselors, require successful completion of CEUs to remain certified to practice. The CEU credits will be awarded through UNCW.

The Financial Aid Online Training Institute LAAP grant runs for three years and will help offset the start-up costs of the project. Courses will be introduced to the financial aid community in increments. By the end of the three-year term of the grant, the Financial Aid Online Training Institute will offer a choice of courses for student aid professionals. In the fourth year, development of special curricula for secondary school counselors and college admissions professionals is planned.

Vice President Al Gore's press release about the LAAP grant winners is available online at <http://www.ed.gov/PressReleases/08-1999/wh-0826.html>.

The complete list of 29 LAAP grant recipients can be viewed at <http://www.ed.gov/offices/OPE/FIPSE/learning.html>.

Questions

For questions about the Financial Aid Online Training Institute, contact Steven Smith, TG Director of Strategic Planning and Development, at (800) 252-9743, ext. 4866, or send an e-mail message to steven.smith@tgslc.org. ★

Mark Your Calendar for 2000

Texas Guaranteed Student Loan Corporation (TG) has scheduled the 2000 TG Conference. Mark your calendars for Monday, April 10, through Wednesday, April 12, at the Capital Marriott in Austin.

TG Customer Services (CS) always appreciates customer input about topics, speakers, and/or session formats. To share your ideas with CS, call (800) 252-9743, ext. 4444, or send an e-mail message to customer.services@tgslc.org. ★

TG Adopts New Repurchase Process

Section 8.7 of the *Common Manual* permits lenders to recall a claim by remitting to the guarantor an amount equal to the claim payment within 30 days of receiving the claim payment.

To improve the process, Texas Guaranteed Student Loan Corporation (TG) is streamlining its repurchase procedures.

Default claims will not be considered repurchased until TG has received all amounts due (principal plus accrued interest). Because the lender is allowed to recall a claim by repurchasing the loan for the claim payment amount within 30 days of receiving the claim payment, interest is waived during this period. However, if the lender's payment is remitted to TG after 30 days, the lender is required to pay accrued interest before the claim is considered fully repurchased.

To help TG respond efficiently to repurchases, lenders are encouraged to include the repurchase quote letter or the claim number(s) with their repurchase payments. The claim number can be found immediately following the Social Security number on the lenders' Claim Payment Notification Report. In addition, the lender should clearly

communicate that a check is intended for repurchase, for instance, by writing "for repurchase" on the check's memo line.

Previously, TG has returned the loan to "repayment" status on TG's system at the point the lender returns the amount of the claim payment, even if the lender's payment is received beyond the 30-day time limit. If additional funds (interest) were due, TG followed up with the repurchasing lender.

TG now considers the loan to be repurchased only at the point where the entire loan balance is received.

Repurchase Processing

Upon receiving a lender's payment for the quoted repurchase amount, TG processes the repurchase and provides the lender with appropriate file documentation and the original promissory note. TG diligently works to ensure that the promissory notes are forwarded to the lender within 30 days of receiving the repurchase payment. Lenders are strongly discouraged from sending requests/reminders for promissory notes until after the 30-day period has expired. In the event of an underpayment by the

lender, TG retains the promissory note and loan documents until all funds have been received. Any payments received from the borrower that affect the repurchase quote are applied as adjustments to the purchase amount or are refunded to the lender.

This procedure also applies to underpayments that occur on mandatory repurchases and repurchase requests initiated by the lender for other reasons. To ensure the most accurate and up-to-date payoff quote, lenders are encouraged to contact a TG repurchase specialist at (800) 252-9743. Contact Susan Marion at ext. 4577 or by e-mail at susan.marion@tgscl.org or Rosa Simpson at ext. 1187 or rosa.simpson@tgscl.org. Information about repurchase processing can also be faxed to TG Claims at (512) 219-4741.

Questions

For questions regarding TG's new repurchase policy, contact Kirk Moore at (800) 252-9743, ext. 4726, or Joyce Hardcastle, ext. 4724. Questions can also be sent by e-mail to kirk.moore@tgscl.org or joyce.hardcastle@tgscl.org. ★

HBCUs (Continued from page 1)

in developing a default management plan or to help strengthen the college or university's existing plan. By July 1, all seven HBCUs had submitted their Default Management Plans to the Secretary of Education. All seven plans have been approved.

Independent Third Party Consultant (ITPC)

The guidelines from ED required all higher education institutions to contract with an independent third party consultant (ITPC) to assist them with default management. By providing grant funding in the amount of \$15,000 per school, TG helped the affected colleges and universities meet this requirement. Each school entered into a grant funding agreement with TG, which detailed how

the funds would be used. Four of the seven schools formed a consortium, allowing them to maximize the services from the ITPC and carry out joint staff training activities.

Best Practices and Unique Ideas

Throughout the program, all participating institutions displayed an eagerness to learn what other schools are doing to decrease defaults. A list of "Best Practices" was developed, which included:

- Develop a Default Management Team that includes campus leadership.
- Create or modify campus attendance policy in order to identify students who stop attending class but do not officially withdraw.

- Increase retention and graduation rates through additional academic advising, mentoring, peer counseling, and tutoring.
- Provide debt and personal finance information during entrance and exit loan counseling sessions.
- Promote conservative borrowing. Create a budget worksheet to help convince the student of his or her actual need.

Questions

For more information about ASDA and other default prevention efforts, contact TG's Default Prevention Consultants at (800) 252-9743. Call Joe Braxton at ext. 4696 or Richard Sapp at ext. 4765. ★

COMMON MANUAL UPDATES

INFORMATION ON REVISIONS TO THE COMMON MANUAL

Consummated and Unconsummated Disbursements Clarified

Current *Common Manual* policy specifies criteria a lender uses in determining whether a loan is considered consummated or unconsummated, for recordkeeping purposes, and may imply that a loan must be subsidized in order to be unconsummated in some cases. Revised *Common Manual* policy specifies criteria a lender will use in determining whether a *disbursement*, instead of a loan, is consummated or unconsummated, for recordkeeping and reporting purposes. Revised policy also clarifies that any loan can be considered unconsummated, regardless of subsidy.

A disbursement is consummated if either of the following occurs:

- The disbursement check is negotiated within 120 days after the date of disbursement.
- The EFT or master check funds are released from the account maintained by the school within 120 days after the date of disbursement.

If a consummated disbursement is paid in full by the borrower or the school within 120 days after the date on which it was disbursed, a lender is entitled to receive applicable federal interest benefits and special allowance payments through the date the loan is fully repaid. The borrower may also be entitled to a refund of any guarantee fees and origination fees.

A disbursement is unconsummated if any of the following occurs:

- The disbursement check is returned uncashed to the lender.
- The disbursement check is not negotiated on or before the 120th day after the date of disbursement.
- The EFT or master check funds are not released from the account maintained by the school on or before the 120th day after the date of disbursement.

A lender is entitled to receive applicable federal interest benefits and special allowance payments, unless notified that a disbursement is unconsummated (see subsections A.1.B. and A.2.B.).

If an unconsummated disbursement is due to a student's withdrawal, the lender must cancel all pending disbursements and advise the guarantor

of the cancellation. If an unconsummated disbursement is not due to a student's withdrawal, the lender must report the unconsummated disbursement to the guarantor and advise the guarantor whether to cancel all pending disbursements (see subsection 6.2.G. for information on reissuing a loan disbursement).

If the lender makes a disbursement on a loan, not knowing that a previous disbursement was unconsummated, and the subsequent disbursement is consummated, the loan retains its guarantee as long as the lender has notified the guarantor of the subsequent disbursement according to the guarantor's established procedures. The lender is entitled to receive applicable federal interest benefits and special allowance payments on a consummated disbursement with a valid guarantee.

Affected Sections: 6.2.F.

Effective Date: Disbursements made by the lender on or after January 1, 2000, unless implemented earlier by the guarantor

Policy Information: Reference # 332

Guarantor Comments: None

Common Claim Initiative Effective Dates Clarified

This spring, the *Common Manual* Governing Board unanimously voted to delay implementation of the Common Claim Initiative (CCI) policies in chapter ^{CC}8 Delinquency, Default, and Claims of the *Common Manual*. This delay in implementation was approved to accommodate current industry efforts to standardize electronic formats for the transmission of preclaims and claims information. Because this final action was taken after the text of the manual was finalized for publication, the opening page in chapter ^{CC}8 of the July 1999 *Common Manual* update contains information on the effective date for collection of information, that preceded action by the Governing Board. We apologize for any confusion that this may have caused.

The new effective date for the implementation of the CCI policies in chapter ^{CC}8 will be as follows: A guarantor will establish the date on which it is ready to trade CCI electronic records with its trading partners (i.e., lenders and servicers). This date is referred to as the "G" date.

All guarantor "G" dates will be established based on the final publication of the CCI electronic formats with one "G" date for Preclaims and another "G" date for Claims. The earliest "G" date that a guarantor may establish is two months after the final release of the CCI Preclaim and Claim documentation, respectively. The latest "G" date that a guarantor may use is 12 months following the final release of the CCI documentation. All CCI trading partners (i.e., lenders, servicers, and the guarantor) will be provided a window of six months from each guarantor's "G" date to start reporting data using the CCI electronic format. Therefore, the preclaims and claims effective dates will be the guarantor "G" date plus six months. For example:

July 6, 1999: Preclaims Documentation Released

September 6, 1999: Earliest Guarantor "G" date

March 6, 2000: Earliest Required Implementation Date

July 6, 2000: Latest Guarantor "G" date

January 6, 2001: Latest Required Implementation Date

Please contact your guarantor for more information on their implementation of the CCI preclaims and claims requirements.

Loan Disbursement by Lenders

Current *Common Manual* policy does not advise lenders that they must maintain compliance with origination responsibilities when making a disbursement. Revised *Common Manual* policy adds a cross-reference to subsection 6.1.A. to ensure that lenders are aware of all disbursement requirements, which include loan origination requirements. Revised policy also clarifies that a lender must not disburse loan proceeds prior to the scheduled disbursement date supplied on the guarantee disclosure.

Affected Sections: 6.2

Effective Date: Retroactive to the implementation date of the *Common Manual*

Policy Information: Reference # 336

Guarantor Comments: None

See COMMON MANUAL UPDATES on page 6.

COMMON MANUAL UPDATES (Continued from page 5)

Three-Day Delivery Period for EFT and Master Check

The Higher Education Amendments of 1998 shortened the delivery period for loan proceeds disbursed by EFT or master check from 10 business days to 3. The *Common Manual* has been revised to state that, for Stafford and PLUS loan proceeds disbursed by EFT or master check and received by the school on or after July 1, 1999, the school must deliver the funds directly to the student, or credit the student's account at the school, within 3 business days after the school's receipt of the loan proceeds. The existing reference to the 10-business-day delivery period will be moved to appendix H of the manual.

The chart entitled "Examples of Time Frames for Disbursing and Returning Loan Proceeds," has been expanded to incorporate a new, fourth example covering the return of funds disbursed by EFT or master check after the conditional 10-business-day period. (See chart on page 7.)

Affected Sections: 6.3.E.

Effective Date: Loan proceeds disbursed by EFT or master check and received by

the school on or after July 1, 1999
Policy Information: Reference # 337
Guarantor Comments: None

Conditions for Authorized Deferment

Common Manual policy requires a borrower to request an in-school deferment either verbally or in writing and provide the lender with documentation necessary to support the borrower's eligibility for deferment.

The Higher Education Amendments of 1998 no longer require a borrower to request an in-school deferment. A lender may now grant an in-school deferment to a borrower based on student status information that documents the borrower's enrollment at least half-time. The lender may use documentation from an appropriate source (e.g., the borrower, school, guarantor, National Student Loan Clearinghouse, or NSLDS) — provided the documentation supplies sufficient information to ensure that the borrower meets all eligibility criteria.

Affected sections: 7.9.A., 7.9.B.

Effective Date: Deferments granted on

or after October 1, 1998
Policy Information: Reference # 338
Guarantor Comments: None

Final Demand Requirement Clarified

Current *Common Manual* policy states that a final demand letter must require borrowers to remit payment in full and warn that if no payment is received, the default will be reported to a national credit bureau. To more accurately reflect regulatory and statutory requirements, this policy has been revised to state that a final demand letter must require the borrower to remit payment in full and warn that *if the borrower defaults on the loan*, the default will be reported to a national credit bureau.

Affected Sections: 8.1.D., ^{cc}8.1.D.

Effective Date: Retroactively to the implementation of the *Common Manual*

Policy Information: Reference # 339

Guarantor Comments: None ★

COMMON MANUAL UPDATE INDEX

THE FOLLOWING INDEX INCLUDES COMMON MANUAL UPDATES FROM JULY 1999 THROUGH SEPTEMBER 1999

C.M. Section	Shoptalk Article	Edition
4.4	School Reporting of Borrower Social Security Number Changes Clarified	Edition 96
5.7.B.	Defining Student Enrollment Status	Edition 96
6.2	Loan Disbursement by Lenders	Edition 97
6.2.F.	Consummated and Unconsummated Disbursements Clarified	Edition 97
6.3.E.	Three-Day Delivery Period for EFT and Master Check	Edition 97
^{cc} 8	Common Claim Initiative Effective Dates Clarified	Edition 97
7.9.A., 7.9.B.	Conditions for Authorized Deferment	Edition 97
8.1.D., ^{cc} 8.1.D.	Final Demand Requirement Clarified	Edition 97

Examples of Time Frames for Delivering and Returning Loan Proceeds

EXAMPLE 1

Receipt of loan proceeds	School receives loan proceeds by individual check on July 6, 1999.
Latest initial delivery date	Latest initial delivery date in this case is August 5, 1999 (30 days after receipt).
Reason for returning loan proceeds	Student advises school that he or she does not want the loan proceeds.
Deadline for returning loan proceeds	School must return loan proceeds no later than August 19, 1999 (10 business days after latest initial delivery date).

EXAMPLE 2

Receipt of loan proceeds	School receives loan proceeds by EFT or master check on July 6, 1999.
Latest initial delivery date	Latest initial delivery date in this case is July 9, 1999 (3 business days after receipt).
Reason for returning loan proceeds	Student advises school that he or she does not want the loan proceeds.
Deadline for returning loan proceeds	School must return loan proceeds no later than July 23, 1999 (10 business days after latest initial delivery date).

EXAMPLE 3

Receipt of loan proceeds	School receives loan proceeds by individual check on July 6, 1999.
Latest initial delivery date	Latest initial delivery date in this case is August 5, 1999 (30 days after receipt). Student does not meet eligibility requirements. School delays delivery of loan proceeds for conditional period or 10 business days because the school expects the student to meet the eligibility requirements during the conditional 10-business-day period. The last day of the conditional period of 10 business days is August 19, 1999.
Reason for returning loan proceeds	Student fails to meet eligibility requirements in the conditional 10-business-day period.
Deadline for returning loan proceeds	School must return loan proceeds no later than September 2, 1999 (10 business days after last day of the conditional period). Note: If, during the return period, the school determines that the student has become eligible to receive the loan proceeds, the school may deliver the proceeds rather than return them to the lender, provided the delivery is made on or before the last day of the return period.

EXAMPLE 4

Receipt of loan proceeds	School receives loan proceeds by EFT or master check on July 6, 1999.
Latest initial delivery date	Latest initial delivery date in this case is July 9, 1999 (3 business days after receipt). School delays delivery of loan proceeds for conditional period or 10 business days because the school expects the student to meet the eligibility requirements during the conditional 10-business-day period. The last day of the conditional period of 10 business days is July 23, 1999.
Reason for returning loan proceeds	Student fails to meet eligibility requirements in the conditional 10-business-day period.
Deadline for returning loan proceeds	School must return loan proceeds no later than August 6, 1999 (10 business days after last day of the conditional period). Note: If, during the return period, the school determines that the student has become eligible to receive the loan proceeds, the school may deliver the proceeds rather than return them to the lender, provided the delivery is made on or before the last day of the return period.

Technical Corrections Issued

The Department of Education (ED) published corrections and technical edits to federal regulations in 34 CFR Part 682 in the April 16, 1999, *Federal Register*. The majority of the corrections or edits do not result in significant changes in the regulations. However, clarification is provided for a number of issues including those highlighted below.

School Issues

Loan Certification

- Enrollment period: For a defaulted borrower who has regained Title IV eligibility, the enrollment period for which a school may certify a loan application is the academic year in which the borrower regained eligibility. This provision is consistent with other student eligibility requirements such as citizenship, loan defaults, and satisfactory academic progress. [§682.603(f)(1)(i)(B)]

Entrance and Exit Counseling

- Entrance counseling by touch-tone phone: A school must conduct entrance counseling with each student borrower either in person, by audiovisual presentation, by computer assisted technology, or by touch-tone telephone technology. [§682.604(f)(1)]
- Exit counseling address requirements: Exit counseling now requires a student borrower to provide his or her expected permanent address and the address of the borrower's next of kin. [§682.604(g)(2)(vi)]

Lender Issues

Borrower Eligibility

- PLUS borrower eligibility and judgment liens: A parent borrower must have no property subject to a judgment lien for a debt owed to the United States to be eligible for a PLUS loan. [§682.201(b)(1)(iv)]
- Non-Title IV loans exempt from repayment arrangements for consolidation eligibility: A borrower is required to make satisfactory repayment arrangements or agree to income-

sensitive repayment only on defaulted Title IV loans. If a borrower is in default on one or more non-Title IV loans, the borrower need not make satisfactory repayment arrangements for those loans to be eligible for a consolidation loan. [§682.201(c)(1)(iii)(C)]

- Parent enrollment and consolidation eligibility: Consolidation loan eligibility for a PLUS borrower is revised to clarify that the parent must not be enrolled on at least a half-time basis. The student for whom the PLUS loan was borrowed may be enrolled on more than a half-time basis without affecting the parent's consolidation loan eligibility. [§682.201(c)(1)(ii)]
- Discharge eligibility for co-makers: If one co-maker of a PLUS or Consolidation loan qualifies for a discharge due to death, total and permanent disability, bankruptcy, or stay in a bankruptcy, the other co-maker remains responsible for the debt *unless* he or she also qualifies for the same or another loan discharge under these regulations. [§682.402(a)(2)]
- Mandatory forbearance for borrowers in internship or residency programs: A borrower in a medical or dental internship or residency program who has exhausted his or her internship or residency deferment eligibility is eligible for a mandatory forbearance through the remainder of his or her program. However, borrowers participating in other types of internship or residency programs are not eligible for a mandatory forbearance under most circumstances. Such borrowers are eligible only if they meet additional requirements by having a debt burden that equals or exceeds 20 percent of their income or by serving in a national service position for which the borrower receives a national service educational award under the National Service Trust Act of 1993. This technical correction was implemented to align the federal regulations with section 428(c)(3) of the HEA. [§682.211(g)]

Postponing Payments

- Deferments on non-defaulted loans: A borrower is not eligible for deferment on a defaulted loan(s), but retains eligibility for deferment on his or her non-defaulted loans. [§682.210(a)(8)]
- Forbearance eligibility for co-makers: Co-makers of either PLUS or Consolidation loans may be granted forbearance only if both borrowers are unable to make payments due to the *same or differing conditions*. [§682.211(a)(3)]
- Forbearance for defaulted borrowers: Although a lender is permitted to grant forbearance to a borrower to resolve a default, the forbearance must be granted before the claim is paid. [§682.211(d)]
- Bankruptcy and loan status: If the status of a loan has changed due solely to the passage of time, the lender must place the borrower's loan in the status that would exist had no bankruptcy claim been filed. ED encourages the lender to grant an administrative forbearance to bring the borrower's account current if the borrower carried a delinquency through the bankruptcy period. [Appendix D, D.I.E.2.]
Example: If a borrower left school and his or her grace period expired during the bankruptcy action, the lender should place the borrower into repayment following the bankruptcy instead of into the in-school status the borrower was in when the bankruptcy was filed.

Questions

For questions about the technical corrections, contact TG's Customer Support Group at (800) 252-9743, ext. 4444, or send an e-mail message to customer.services@tgslc.org. ★

TG Encourages Prompt Reaction to Bankruptcy Plans

Texas Guaranteed Student Loan Corporation (TG) encourages lenders and servicers to react as quickly as possible to Chapter 13 Bankruptcy plans that include Federal Family Education Loan Program (FFELP) loans. By lenders and servicers filing bankruptcy claims as soon as possible, TG and the holder of the loans may follow applicable procedures to attempt to avoid possible discharge of FFELP student loan(s).

To protect the federal fiscal interest, lenders should make an effort to review bankruptcy plans carefully for one and sometimes two provisions:

- The first provision is that the confirmation of the plan serves as a finding of undue hardship and that student loans not paid during the Chapter 13 plan are discharged.
- The second provision is that post-petition interest that accrues on a student loan is discharged.

Lawyers have been known to include such provisions not by typing them into the plan itself but by using a specially prepared stamp that can, and has been, placed on the back of plan pages, which would not otherwise be apparent to the reader.

Lenders and servicers should thoroughly review plans and act promptly to ensure that TG has time to object to such provisions in a timely manner.

Recent Events

Prompt lender response to Chapter 13 Bankruptcy plans is necessary because of the recent repeal of the “seven year discharge rule” and the subsequent filing of Chapter 13 bankruptcy as grounds for undue hardship discharges by FFELP borrowers. The result is an increase in the number of FFELP borrowers using Chapter 13 plans as a means of discharging some or all of their student loan debt.

The repeal of the “seven year discharge rule” was intended to lessen the likelihood of a student’s ability to use bankruptcy to avoid repaying student loan debt. However, in reaction to the repeal, some FFELP borrowers are now seeking relief under the undue hardship standards in Chapter 13 bankruptcy plans.

In addition, a recent court ruling in favor of a borrower greatly emphasizes the importance of prompt filing of objections to Chapter 13 bankruptcy plans. Despite the attempts by the loan

holder to file an appeal in this case, the fact that it was not filed in a timely manner ultimately resulted in a court ruling in favor of the borrower.

TG Action

TG is not planning to make changes to claim filing deadlines at this time and will notify lenders and servicers if revisions will be made in the future. However, TG encourages lenders and servicers to file claims promptly to help minimize the recent trend by FFELP borrowers to use Chapter 13 plans to have their student loans discharged.

Questions

For questions about Chapter 13 bankruptcy plans, contact Bonnie Brinkley at (800) 252-9743, ext. 4729, or send an e-mail message to bonnie.brinkley@tgslc.org. ★

IRS Delays Reporting Requirements for Schools

The Internal Revenue Service (IRS) published Notice 99-37 to advise schools that it will delay until the year 2001 any additional reporting requirements for the Hope Scholarship Credit and the Lifetime Learning Credit under the Taxpayer Relief Act of 1997. Previously, the IRS notified schools that any additional reporting requirements would be extended until the 1999 tax year.

For the 1999 tax year, schools must report the same information to the IRS that was required for the 1998 tax year. (See *Shoptalk* 87 for information about those requirements.)

Questions

For a copy of IRS Notice 99-37, access the National Association of College and University Business Officers web site at www.nacubo.org/website/tra97. For questions relating to IRS school reporting requirements, contact TG Customer Support Group at (800) 252-9743, ext. 4444, or send an e-mail message to customer.services@tgslc.org. ★

SHOPTALK

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To ask questions about the articles in *Shoptalk*, subscribe or order additional copies, please contact Communications at (800) 252-9743, ext. 2878 or communications@tgslc.org

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Relief for VA Patients

The Higher Education Amendments (HEA) of 1998 made an important change to improve efficiency in the processing of a deferment or discharge due to a borrower's disability. Section 493B of the HEA requires the Department of Education and the Department of Veterans Affairs (VA) to work together to develop and implement a procedure to streamline this process.

To comply with the statute, the VA published a Veterans Health Administration (VHA) Directive 98-052 entitled, "Modification of Restrictions on VA Physicians to Provide Opinions for VA Patients." This Directive permits VA healthcare providers to sign the Federal Family Education Loan Program (FFELP) Total and Permanent Disability Cancellation Request (TPD) form and the Temporary Total Disability Deferment Request form (TDIS).

History

FFELP regulations in 34 CFR 682.402(c) and 682.210(f) require a doctor of medicine or osteopathy to sign the TPD and TDIS forms for a borrower who, since signing the promissory note for a FFELP loan, becomes either totally, temporarily disabled or totally and permanently disabled. The regulations governing the VA, on the other hand, have historically restricted the ability of VA healthcare providers to assist in completing these FFELP forms and other non-VA forms. FFELP borrowers who were veterans had to take their medical records to a non-VA doctor in order to obtain a doctor's signature on the FFELP forms.

New VA Policy

VHA Directive 98-052 establishes a nationwide policy that now permits VA healthcare providers,

when requested, to express opinions and to complete forms for VA patients with respect to a patient's health, employability, or degree of disability. Schools, lenders, servicers, and guarantors can assist veterans who are unable to obtain the required signature of a VA doctor on FFELP forms by providing a copy of the VHA Directive to the VA doctor or borrower.

Questions

For a copy of VHA Directive 98-052 and for questions about the Directive, contact TG's Customer Support Group at (800) 252-9743, ext. 4444, or send an e-mail message to customer.services@tgscl.org. ★